

Message Text

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ACTION EUR-25

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INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

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C O N F I D E N T I A L EC BRUSSELS 5239

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, ETRD, EC

SUBJECT: PROPOSED EC SUGAR POLICY

REF: (A) EC BRUSSELS 4323 (1973) (B) EC A-290 OF 7/30/73.

1. BEGIN SUMMARY: THE EC COMMISSION HAS RECENTLY MADE MAJOR REVISIONS IN ITS PROPOSED GUIDELINES OF JULY 1973 (REFS A AND B) ON THE COMMUNITY'S FUTURE SUGAR POLICY. IN A COMMUNICATION TO THE COUNCIL WHICH IS CURRENTLY IN SESSION, THE COMMISSION NOW PROPOSES LARGER PRODUCTION QUOTAS AND A CONTINUATION OF, RATHER
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THAN A HALT TO, PRODUCTION IN EXCESS OF QUOTAS. THESE REVISED

PROPOSALS WERE MADE IN THE CONTEXT OF A WORLD SUGAR SHORTAGE TO WHICH THE COMMISSION CONSIDERS THE COMMUNITY SHOULD RESPOND. ANOTHER IMPORTANT FACTOR BEHIND THE ISSUANCE OF NEW PROPOSALS, HOWEVER, WAS THE STRONG OBJECTIONS TO THE COMMISSION'S ORIGINAL PROPOSALS BY CERTAIN MEMBER STATES AND THE SUGAR LOBBY IN THE ORIGINAL SIX. BY ATTEMPTING TO DEAL WITH AND OVERCOME THESE OBJECTIONS, THE COMMISSION HOPES SOON TO GAIN COUNCIL APPROVAL OF A PROPOSED COMMUNITY OFFER TO THE ACP COUNTRIES TO IMPORT 1.4 MILLION TONS OF CANE SUGAR ANNUALLY. END SUMMARY.

2. THE EC COMMISSION LAST WEEK SUBMITTED TO THE COUNCIL MAJOR CHANGES IN THE GUIDELINES IT PROPOSED IN JULY 1973 FOR THE COMMUNITY'S FUTURE SUGAR POLICY. THE CHANGES WOULD EMBRACE ENLARGED PRODUCTION QUOTAS AND AUTHORIZATION FOR CONTINUED PRODUCTION OF SUGAR IN EXCESS OF QUOTAS. TAKEN AS A WHOLE, THE NEW PROPOSALS INDICATE THAT THE COMMISSION HAS MOVED MUCH CLOSER TO THE VIEWPOINT OF SUGAR INTERESTS IN THE ORIGINAL COMMUNITY OF SIX AND TO CERTAIN MEMBER STATES (PARTICULARLY FRANCE). THESE INTERESTS ARGUE THAT AN INCREASE IN SUGAR PRODUCTION SHOULD BE ENCOURAGED IN RESPONSE TO TIGHT WORLD SUPPLIES AND THAT EC IMPORT COMMITMENTS SHOULD BE OFFSET BY AN EQUIVALENT VOLUME OF EXPORTS.

3. UNDER THE COMMISSION'S REVISED PROPOSALS, THE COMMUNITY'S SUGAR POLICY WOULD CONTINUE TO BE BASED ON THE PRINCIPLE OF PRODUCTION QUOTAS. HOWEVER, THE MECHANICS OF THE QUOTA SYSTEM AND THE QUOTA AMOUNTS WOULD BE MODIFIED AS FOLLOWS.

A. BASE QUOTAS ("A" SUGAR). AS IN THE ORIGINAL PROPOSALS, THE QUOTA FOR EACH MANUFACTURER WOULD BE EQUAL TO 93 PERCENT OF HIS "REFERENCE PRODUCTION" DURING THE PERIOD 1968/69 - 1972/73. BASED ON BETTER INFORMATION ON PRODUCTION DURING THAT PERIOD, THE COMMISSION HAS UPPED ITS ESTIMATE OF THE TOTAL BASE QUOTAS UNDER THE REFERENCE PERIOD FORMULA FROM 8.4 TO 8.54 MILLION METRIC TONS. (CURRENT BASE QUOTAS TOTAL 7.82 MILLION MT.) A MANUFACTURER'S NEW BASE QUOTA SHOULD NOT BE LESS THAN HIS FORMER QUOTA. PREVIOUSLY THE COMMISSION HAD SUGGESTED THAT IF A MANUFACTURER'S FORMER BASE QUOTA WAS LARGER THAN THE NEW ONE, HE COULD OPT FOR THE LARGER QUOTA BUT ONLY ON CONDITION THAT HIS MAXIMUM QUOTA IS EQUAL TO THE BASE QUOTA.

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B. MAXIMUM QUOTAS ("B" SUGAR). SUGAR PRODUCED IN EXCESS OF THE BASE QUOTAS BUT WITHIN THE MAXIMUM QUOTAS CONTINUES TO RECEIVE SUPPORT BUT PRODUCERS ARE SUBJECT TO AN ASSESSMENT TO COVER DISPOSAL COSTS. THE COMMISSION PROPOSES THAT THE LEVEL OF THE MAXIMUM QUOTAS BE FIXED AT 125 PERCENT OF BASE QUOTAS INSTEAD OF 115-118 PERCENT AS PREVIOUSLY PROPOSED.

C. PRODUCTION EXCEEDING QUOTAS ("C" SUGAR). IN ITS JULY 1973 PROPOSALS, THE COMMISSION SUGGESTED VERY RESTRICTIVE MEASURES FOR DISPOSING OF "C" SUGAR, WHICH PROBABLY WOULD HAVE HALTED SUCH PRODUCTION EXCEPT IN THE EVENT OF SHORTAGES. THE COMMISSION HAS NOW SCRAPPED THOSE IDEAS AND INSTEAD PROPOSES THAT "C" SUGAR PRODUCTION NOT BE LIMITED AS LONG AS A SCARCITY SITUATION PREVAILS IN THE WORLD MARKET; THAT IN CASE OF WORLD SURPLUSES AND WITHIN THE FRAMEWORK OF A NEW WORLD SUGAR AGREEMENT, "C" SUGAR OUTPUT MAY BE LIMITED TO THE EXTENT OF EQUIVALENT COMMITMENTS TAKEN BY OTHER DEVELOPED COUNTRIES; AND THAT WHEN "A" AND "B" SUGAR PLUS IMPORTS DO NOT COVER EC CONSUMPTION, "C" SUGAR SHOULD BE MADE AVAILABLE FOR DOMESTIC CONSUMPTION."

4. FOR 1975/76, THE COMMISSION ESTIMATES PROBABLY PRODUCTION WITHIN QUOTAS AT 9.7 MILLION M.T. ADDING THE PROPOSED IMPORT COMMITMENT OF 1.4 MILLION MT GIVES TOTAL AVAILABLE SUPPLIES OF 11.1 MILLION MT. EC CONSUMPTION IS ESTIMATED AT 10 MILLION MT WHICH LEAVES 1.1 MILLION MT AVAILABLE FOR EXPORT. UNDER ITS ORIGINAL PROPOSALS, THE COMMISSION SET FORTH THE PRINCIPLE THAT EC PRODUCTION SHOULD NOT EXCEED INTERNAL CONSUMPTION, LESS IMPORTS OF 1.4 MILLION MT, PLUS EXPORTS OF 800,000 MT.

5. THE COMMISSION BASES ITS PROPOSED CHANGES ON THE NEED TO ENCOURAGE EC SUGAR PRODUCTION IN RESPONSE TO WORLD SCARCITIES AND THE SHORTFALL IN DELIVERIES TO THE UK OF COMMONWEALTH SUGAR. HOWEVER, ANOTHER FACTOR PLAYING A KEY, IF NOT PRINCIPAL, ROLE IN THE COMMISSION'S DECISION TO REVISE ITS PROPOSAL WAS THE CRITICISM BY CERTAIN MEMBER STATES, PARTICULARLY FRANCE, AND DOMESTIC SUGAR INTERESTS OF THE ORIGINAL PROPOSALS. FAILURE TO MOLLIFY AT LEAST PARTIALLY THESE CRITICS COULD UNDERMINE COMMISSION EFFORTS TO GAIN COUNCIL APPROVAL SOON OF THE PROPOSED COMMITMENT TO IMPORT 1.4 MILLION MT OF SUGAR FROM DEVELOPING (ACP) COUNTRIES. THE COMMISSION WOULD LIKE TO PRESENT THE IMPORT OFFER TO THE ACP COUNTRIES LATE THIS

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MONTH AND THEREFORE NEEDS COUNCIL APPROVAL SOON. GIVEN THE CLOSE RELATIONSHIP BETWEEN INTERNAL SUGAR POLICY AND IMPORT COMMITMENTS, THE COUNCIL PROBABLY WILL HAVE TO AT LEAST SHOW SOME SIGNS OF AGREEMENT ON FUTURE SUGAR POLICY BEFORE IT WILL AGREE TO IMPORT COMMENTS.

6. THE EC COUNCIL (AGMINS) IS CURRENTLY IN SESSION AND HAS THE SUGAR PAPER BEFORE IT. GREENWALD

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